

**CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS**

Independent Auditor's Report,
Management's Discussion and Analysis, and
Basic Financial Statements

For the Fiscal Years Ended
June 30, 2012 and 2011

**CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS**

For the Fiscal Years Ended June 30, 2012 and 2011

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Deferred Compensation Advisory Committee
City of San José, California

Independent Auditor's Report

We have audited the accompanying statements of net assets due to participants of the 457 and the PTC Deferred Compensation Plans (Plans) of the City of San José, California (City) as of June 30, 2012 and 2011, and the related statements of changes in net assets due to participants for the fiscal years then ended. These financial statements are the responsibility of the City's Deferred Compensation Advisory Committee. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting of the Plans. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2, the financial statements present only the Plans and do not purport to, and do not, present fairly the financial position of the City of San José as of June 30, 2012 and 2011, and the changes in its financial position for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets due to participants of the Plans as of June 30, 2012 and 2011, and the respective changes in net assets due to participants for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries

of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Macias Gini & Connell LLP

Walnut Creek, California

October 16, 2012

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS

Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2012 and 2011
(Unaudited)

The following discussion and analysis of the City of San José's 457 and PTC Deferred Compensation Plans (Plans) financial performance provides an overview of its basic financial activities for the fiscal years ended June 30, 2012 and 2011. Please read it in conjunction with the Plans financial statements, which begin on page 7. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rest solely with the City of San José (City) Deferred Compensation Advisory Committee. To the best of our actual knowledge and belief, the financial statements, as presented, are accurate in all material respects.

Financial Highlights - 2012

457 Plan

- At the close of the fiscal year, June 30, 2012, the net assets due to 457 Plan participants were \$645.7 million. This represents a decrease of \$9.4 million from the prior year ending balance.
- Increased payments to participants due to participants withdrawals in the 457 Plan contributed to the decline.

PTC Plan

- At the close of the fiscal year, June 30, 2012, the net assets due to PTC Plan participants were \$13.2 million. This represents a decrease of \$0.1 million from the prior year ending balance.
- Increased payments to participants due to participants withdrawals in the PTC Plan contributed to the decline.

Financial Highlights - 2011

457 Plan

- At the close of the fiscal year, June 30, 2011, the net assets due to 457 Plan participants were \$655.1 million. This represents an increase of \$94.5 million from the prior year ending balance.
- Favorable investment earnings and fair value adjustments of \$91.8 million contributed to the increase.

PTC Plan

- At the close of the fiscal year, June 30, 2011, the net assets due to PTC Plan participants were \$13.3 million. This represents an increase of \$0.7 million from the prior year ending balance.
- Favorable investment earnings and fair value adjustments of \$0.3 million contributed to the increase.

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Management's Discussion and Analysis
For the Years Ended June 30, 2012 and 2011
(Unaudited)

Financial Statements

The financial reports for the Plans include management's discussion and analysis (MD&A), a statement of net assets due to participants, a statement of changes in net assets due to participants, and notes to financial statements. These financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting.

The following table indicates the net assets due to participants as of June 30, 2012, 2011 and 2010 (dollars in thousands):

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<i>457 Plan</i>			
Investments at fair value:			
Mutual funds	\$ 631,525	\$ 640,222	\$ 546,200
Annuities	2,469	2,798	2,951
Loans receivable from participants	11,730	12,127	11,460
Total assets	<u>\$ 645,724</u>	<u>\$ 655,147</u>	<u>\$ 560,611</u>
Net assets due to participants	<u>\$ 645,724</u>	<u>\$ 655,147</u>	<u>\$ 560,611</u>
<i>PTC Plan</i>			
Investments at fair value:			
Mutual funds	<u>\$ 13,221</u>	<u>\$ 13,298</u>	<u>\$ 12,630</u>
Net assets due to participants	<u>\$ 13,221</u>	<u>\$ 13,298</u>	<u>\$ 12,630</u>

The following table indicates the changes in net assets for the fiscal years ended June 30, 2012, 2011 and 2010 (dollars in thousands):

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<i>457 Plan</i>			
Net additions to net assets	\$ 33,031	\$ 128,174	\$ 82,289
Deductions from net assets	<u>(42,454)</u>	<u>(33,638)</u>	<u>(28,325)</u>
Change in net assets	(9,423)	94,536	53,964
Net assets, beginning of year	<u>655,147</u>	<u>560,611</u>	<u>506,647</u>
Net assets, end of year	<u>\$ 645,724</u>	<u>\$ 655,147</u>	<u>\$ 560,611</u>
<i>PTC Plan</i>			
Net additions to net assets	\$ 1,604	\$ 1,920	\$ 2,362
Deductions from net assets	<u>(1,681)</u>	<u>(1,252)</u>	<u>(1,091)</u>
Change in net assets	(77)	668	1,271
Net assets, beginning of year	<u>13,298</u>	<u>12,630</u>	<u>11,359</u>
Net assets, end of year	<u>\$ 13,221</u>	<u>\$ 13,298</u>	<u>\$ 12,630</u>

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Management's Discussion and Analysis
For the Years Ended June 30, 2012 and 2011
(Unaudited)

2012 Analysis

457 Plan

The net assets due to participants decreased by \$9.4 million, or 1.4 percent, in fiscal year 2011-2012. This change in net assets is due to less favorable rates of return on mutual fund investments and increased payments to participants due to participants withdrawals in the 457 Plan.

The total net additions to net assets of \$33.0 million in fiscal year 2011-2012 decreased by \$95.2 million from the \$128.2 million in fiscal year 2010-2011. The decrease is due to the decline in net investment income and adjustments to fair value of \$89.8 million, as a result of less favorable market returns. Total deductions from net assets of \$42.5 million in fiscal year 2011-2012 increased by \$8.9 million from \$33.6 million in fiscal year 2010-2011. The change is mainly due to the increase in the number of participants that terminated their employment during the fiscal year resulting in an increase in distributions from the Plan to participants.

PTC Plan

The net assets due to participants decreased by \$0.1 million, or 0.6 percent, in fiscal year 2011-2012.

The additions to net assets of \$1.6 million in fiscal year 2011-12 decreased by \$0.3 million from additions of \$1.9 million in fiscal year 2010-11. The decrease is due to a decline in contributions received due to a decrease in the number of participants. Deductions from net assets increased by \$0.4 million from \$1.3 million in fiscal year 2010-2011 to \$1.7 million in fiscal year 2011-2012. This change in distributions is also the result of a decrease in the number of participants in the PTC Plan.

2011 Analysis

457 Plan

Net additions to and deductions from net assets resulted in a net increase of \$94.5 million in net assets, and the portfolio holdings in mutual funds increased by \$94.0 million mainly due to favorable rates of return on mutual fund investments.

The increase of net additions to net assets by \$45.9 million is due to the increase in net investment income of \$46.7 million, resulting from a gain of \$45.1 million in fiscal year 2009-10 compared to a gain of \$91.8 million in fiscal year 2010-11, offset by a \$0.8 million decrease of contributions from participants, from \$37.1 million in fiscal year 2009-10 to \$36.3 million in fiscal year 2010-11. The increase of net investment income reflected the continued investment gains for the fiscal year ended June 30, 2011. Deductions from net assets showed an increase of \$5.3 million mainly due to the increase in distributions from the Plan to participants, from distributions of \$28.3 million in fiscal year 2009-10 to distributions of \$33.6 million in fiscal year 2010-11. The increase was partially due to the increase in the number of participants that retired during the fiscal year.

PTC Plan

Net additions and deductions to net assets resulted in a net increase of \$0.7 million in net assets.

The decrease of additions to net assets by \$0.4 million is due to the decrease in contributions received, from \$2.0 million in fiscal year 2009-10 to \$1.6 million in fiscal year 2010-11 due to the decrease in number of participants during the fiscal year. Deductions from net assets increased by \$0.2 million due to increased distributions from the PTC Plan to participants.

Request for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Deferred Compensation Advisory Committee, 200 East Santa Clara Street, Wing, 2nd Floor, San José, CA 95113-1905.

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CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Statements of Net Assets Due to Participants
June 30, 2012 and 2011
(Dollars in Thousands)

<i>457 Plan</i>	<u>2012</u>	<u>2011</u>
Assets		
Investments at fair value:		
Mutual funds	\$ 631,525	\$ 640,222
Annuities	2,469	2,798
Total investments at fair value	<u>633,994</u>	<u>643,020</u>
Loans receivable from participants	<u>11,730</u>	<u>12,127</u>
Total assets	<u>\$ 645,724</u>	<u>\$ 655,147</u>
Net assets due to participants	<u>\$ 645,724</u>	<u>\$ 655,147</u>
<i>PTC Plan</i>	<u>2012</u>	<u>2011</u>
Assets		
Investments at fair value:		
Mutual funds	<u>\$ 13,221</u>	<u>\$ 13,298</u>
Net assets due to participants	<u>\$ 13,221</u>	<u>\$ 13,298</u>

See accompanying notes to financial statements.

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Statements of Changes in Net Assets Due to Participants
For the Fiscal Years Ended June 30, 2012 and 2011
(Dollars in Thousands)

457 Plan	2012	2011
Additions to net assets		
Contributions	\$ 30,986	\$ 36,351
Net investment income and adjustments to fair value	2,045	91,823
Total net additions to net assets	<u>33,031</u>	<u>128,174</u>
Deductions from net assets		
Payments to participants	(42,401)	(33,597)
Administration fees	(53)	(41)
Total deductions from net assets	<u>(42,454)</u>	<u>(33,638)</u>
Change in net assets due to participants	(9,423)	94,536
Net assets due to participants		
Beginning of year	<u>655,147</u>	<u>560,611</u>
End of year	<u>\$ 645,724</u>	<u>\$ 655,147</u>
PTC Plan	2012	2011
Additions to net assets		
Contributions:		
Employer	\$ 667	\$ 789
Employee	667	789
Total contributions	1,334	1,578
Net investment income and adjustments to fair value	270	342
Total net additions to net assets	<u>1,604</u>	<u>1,920</u>
Deductions from net assets		
Payments to participants	(1,681)	(1,252)
Total deductions from net assets	<u>(1,681)</u>	<u>(1,252)</u>
Change in net assets due to participants	(77)	668
Net assets due to participants		
Beginning of year	<u>13,298</u>	<u>12,630</u>
End of year	<u>\$ 13,221</u>	<u>\$ 13,298</u>

See accompanying notes to financial statements.

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS

Notes to Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

NOTE 1 – PLANS DESCRIPTION

The following description of the City of San José's (City's) Deferred Compensation Plans (Plans) provides only general information. Participants should refer to the Plans' agreements and the Municipal Code for a more complete description of the Plans' provisions.

The City maintains two eligible deferred compensation plans (collectively, Plans) in accordance with Section 457 of the Internal Revenue Code (IRC 457). The Plans permit employees to defer a portion of their compensation until future years. Under the Plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at death, retirement, termination, disability or certain unforeseen emergencies.

The following is a brief description of the City's two deferred compensation plans:

- The City of San José, California, Deferred Compensation Plan (457 Plan) is described in Chapter 3.48 of the San José Municipal Code. The 457 Plan is available to all City employees on a voluntary basis. An employee who elects to participate must sign a participation agreement that specifies the amount of the deferral and the investment options selected by the participant. The 457 Plan currently utilizes ING Life Insurance and Annuity Company (ILIAC) as its investment administrator.
- The City of San José, California, PTC Deferred Compensation Plan (PTC Plan) is described in Chapter 3.50 of the San José Municipal Code. The PTC Plan is a mandatory plan in lieu of Social Security for those employees who are not eligible for membership in either the Federated City Employees Retirement System or the Police and Fire Department Retirement Plan. The participants defer 3.75% of salary and the City makes a matching contribution (with the total capped by the maximum allowed under IRC 457). The PTC Plan currently utilizes ILIAC as its investment administrator.

The assets of the Plans are held in trust and administered by the Deferred Compensation Advisory Committee (DCAC). The DCAC is comprised of seven members – one member representing management employees, one member representing police department employees, one member representing fire department employees, two members representing the other five employee organizations and two members appointed by the City Manager.

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS

Notes to Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

NOTE 1 – PLANS DESCRIPTION (Continued)

Contributions – During each payroll period in which an employee is a participant in the Plans, the City will defer payment of the employee’s compensation (as specified by the participating employee). The maximum that each participant may defer under the Plans for any taxable year shall not exceed the lesser of:

1. The dollar amount permitted under IRC 457; or
2. The percentage limitation applied to the participant’s includible compensation.

In addition, the maximum deferral described above is not applicable for one or more of the participant’s last three taxable years ending before the attainment of normal retirement age. In that instance, the maximum shall be the lesser of:

1. Twice the dollar amount permitted under IRC 457; or
2. The sum of:
 - a. The maximum deferral amount established for the purposes of Section 3.48.040.A or 3.50.040.B of the Municipal Code for the taxable year (determined without regard to Section 3.48.040.B or 3.50.040.C); plus
 - b. The maximum deferral amount established for the purposes of Section 3.48.040.A or 3.50.040.B of the Municipal Code for taxable years beginning after December 31, 1978, and before the taxable year as has not previously been used under Section 3.48.040.A or 3.50.040.B, or under Section 3.48.040.B or 3.50.040.C.

Furthermore, beginning January 1, 2002, a participant who has attained the age of fifty years before the close of the tax year, and with respect to whom no other elective deferrals may be made to the plan for the year by reason of the limitations set forth under Section 3.48.040A, may specify in the participation agreement that the participant elects to make deferrals in addition to those permitted by Section 3.48.040A in the amount not to exceed:

1. The dollar amount permitted under Section 414(v)(2)(B) of the Internal Service Code (IRC) as adjusted for the cost-of-living in accordance with Section 414(v)(2)(C) of the IRC; or
2. The portion of the participants compensation (as defined in Section 415(C)(3) of the IRC) that is in excess of any other elective deferrals of the participant for such year as are made without regard to Section 3.48.040B.

Participants in the 457 Plan may also contribute amounts representing distributions from other qualified IRC 457 deferred compensation plans of any local government, state or tax-exempt organization.

Participant Accounts – The account of each participant is credited with the participant’s contribution and allocations of the Plans’ earnings and charged with an allocation of administrative expenses. Allocations are based on participant earnings on account balances. The account of each PTC participant is also credited with the City’s matching contribution.

Vesting – Participants are immediately vested in their contributions plus actual earnings thereon.

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS

Notes to Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

NOTE 1 – PLANS DESCRIPTION (Continued)

Payment of Benefits – On termination of service due to death, disability, or retirement, a participant (or a participant’s beneficiary) may elect to receive either a lump-sum amount equal to the value the participant’s interest in his or her account or periodic installments during the lifetime of the participant less any federal or state income tax required to be withheld.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying statements of net assets due to participants and changes in net assets due to participants present only the Plans and are not intended to present the financial position of the City and the changes in its financial position in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting – The financial statements of the Plans are prepared on the accrual basis of accounting. Contributions are recognized as additions when due (at the end of each pay period). Payments to participants are recognized as deductions when due and payable under the provisions of the Plans.

Investment Valuation – The Plans’ investments are stated at fair value. Quoted market prices are generally used to value investments. Shares of mutual funds are valued at quoted market prices that represent the net asset value of shares held by the Plans at year-end. Annuities and mutual funds that do not have an established market are reported at fair value as estimated by ILIAC. This estimate is based on the amount of contributions, withdrawals, and interest or dividends credited or the cumulative market value of funds’ investment holdings.

Loans Receivable from Participants – The IRC permits and the City allows participants in the 457 Plan to participate in a loan program. The loans are secured by the remaining balance in the participant’s account and must be repaid over a period that does not exceed five years, except that if the loan is for the purchase of a principal residence, the loan may be repaid over a period not to exceed twenty years. The maximum amount of loans to participants is the lesser of \$50,000 or 50% of the participant’s vested account balance as of the day immediately preceding the date on which the loan is approved.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Plans’ administrators to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 3 – INVESTMENTS

457 Plan participants may direct contributions into any of the investment options offered by the Plans’ investment administrator, which include various mutual funds (stocks, bonds, and fixed income) and annuity investments. It is the Plan’s policy to permit participants to establish different investment strategies, which have varying return and volatility characteristics to meet each participant’s long-term retirement savings strategy.

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS

Notes to Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

NOTE 3 – INVESTMENTS (Continued)

The following presents investments at June 30, 2012 with the related information related to interest rate risk and credit risk on its fixed income mutual funds (dollars in thousands):

Investments	Average Effective Maturity	Credit Rating	Fair Value
457 Plan			
<i>Fixed income mutual funds:</i>			
Stable Value Option Fund	4.62 years	Aa3	\$ 209,782
PIMCO Total Return Fund Inst Shares	6.66 years	Not rated	16,770
Templeton Global Bond Fund	2.84 years	BBB	7,775
ING Money Market Port-CL (I)	51 days	Not rated	6,794
BlackRock Infl Prot Bnd Port Inst	10.16 years	AAA	4,764
Total fixed income mutual funds			<u>245,885</u>
<i>Equity and hybrid mutual funds:</i>			
Moderate Custom Lifestyle Port	n/a	n/a	74,081
American Funds Growth Fund R5	n/a	n/a	55,445
Aggressive Custom Lifestyle Port	n/a	n/a	41,698
The Yacktman Fund Sr	n/a	n/a	26,123
Vanguard TotStok mrkt Ind-Instl	n/a	n/a	23,716
American Funds EuroPacific R5	n/a	n/a	19,400
Fidelity Adv New Insights I	n/a	n/a	18,513
Ameritrade SDBA	n/a	n/a	18,454
Vanguard Institutl Index (Inst)	n/a	n/a	17,710
Fidelity VIP Mid Cap Portfolio (Init)	n/a	n/a	14,549
Oppenheimer Developing Mkts FY	n/a	n/a	14,142
Allianz NFJ Div Value Fund - I	n/a	n/a	13,903
Conservative Custom Lifestyle Port	n/a	n/a	11,571
Vanguard Sml-Cap Index-Instl	n/a	n/a	8,263
Vanguard Mid-Cap Index-Instl	n/a	n/a	6,960
ING Clarion Real Est Prtinstl	n/a	n/a	4,832
DFA Int'l Small CO - Class	n/a	n/a	3,050
Wanger USA Fund	n/a	n/a	2,191
Parnassus Equity Income Fund Inv	n/a	n/a	2,156
CRM Mid Cap Value Fund	n/a	n/a	1,880
Perkins SmCp VI F-J Sh	n/a	n/a	1,268
Vanguard T Retirement 2015	n/a	n/a	1,083
JPMorgan Md Cp Val Fund Cls Shr	n/a	n/a	971
Vanguard T Retirement 2025	n/a	n/a	923
Vanguard T Retirement 2035	n/a	n/a	825
Vanguard T Retirement 2045	n/a	n/a	648
Vanguard T Retirement Income	n/a	n/a	630
Vanguard Tot Intl St Indx Fd Sig	n/a	n/a	209
Vanguard Tgt Ret 2030 - Inv	n/a	n/a	190
Vanguard Tgt Ret 2010 - Inv	n/a	n/a	74
Vanguard Tgt Ret 2040 - Inv	n/a	n/a	70
Vanguard Tgt Ret 2055 - Inv	n/a	n/a	44
Vanguard Tgt Ret 2020 - Inv	n/a	n/a	36
Vanguard Tgt Ret 2050 - Inv	n/a	n/a	32
Total equity and hybrid mutual funds			<u>385,640</u>
Annuities	n/a	n/a	2,469
Total 457 Plan			<u>\$ 633,994</u>
PTC Plan			
Stable Value Option Fund	4.62 years	Aa3	<u>\$ 13,221</u>

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS

Notes to Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

NOTE 3 – INVESTMENTS (Continued)

The following presents investments at June 30, 2011 with the related information related to interest rate risk and credit risk on its fixed income mutual funds (dollars in thousands):

Investments	Average Effective Maturity	Credit Rating	Fair Value
457 Plan			
<i>Fixed income mutual funds:</i>			
Stable Value Option Fund	4.60 years	Aa3	\$ 206,797
PIMCO Total Return Fund Inst Shares	4.71 years	Not rated	14,451
Templeton Global Bond Fund	3.80 years	BBB	8,631
ING Money Market Portfolio (I)	48 days	n/a	7,289
BlackRock Infl Prot Bnd Port	10.29 years	AAA	1,923
Total fixed income mutual funds			<u>239,091</u>
<i>Equity and hybrid mutual funds:</i>			
Moderate Custom Lifestyle Port	n/a	n/a	76,644
American Funds Growth Fund R4	n/a	n/a	61,907
Aggressive Custom Lifestyle Pt	n/a	n/a	41,218
Blackrock Large Cap ValueFdCII	n/a	n/a	24,899
American Funds EuroPacific R5	n/a	n/a	24,355
Vanguard TotStok mrkt	n/a	n/a	23,985
Fidelity Adv New Insights I	n/a	n/a	17,899
Fidelity VIP Mid Cap Portfolio (Init)	n/a	n/a	17,669
Oppenheimer Developing Mkts Fund A	n/a	n/a	17,577
Vanguard Institute Index (Inst)	n/a	n/a	17,394
TD Ameritrade SDBA	n/a	n/a	16,770
Allianz NFJ Div Value Fund - I	n/a	n/a	14,653
Conservative Custom Lifestyle Port	n/a	n/a	10,559
Vanguard MidCap Index-Instl	n/a	n/a	7,703
Vanguard SmlCap Idx Signal	n/a	n/a	5,504
Oppenheimer MainSt SmallCpFd - Y	n/a	n/a	5,039
DFA International Small CO	n/a	n/a	3,716
ING Clarion Real Est Prtinstl	n/a	n/a	3,276
Wanger USA Fund	n/a	n/a	2,129
CRM Mid Cap Value Fund	n/a	n/a	1,819
Parnassus Equity Income Fund Inv	n/a	n/a	1,196
Perkins SmCp VI F-J	n/a	n/a	1,125
ING Solution 2015 Port	n/a	n/a	1,115
ING Solution 2035 Port	n/a	n/a	787
ING Solution 2025 Port	n/a	n/a	743
Pioneer Mid Cap Value VCT Port (I)	n/a	n/a	648
ING Solution 2045 Port	n/a	n/a	600
ING Solution Inc Port	n/a	n/a	202
Total equity and hybrid mutual funds			<u>401,131</u>
Annuities	n/a	n/a	2,798
Total 457 Plan			<u>\$ 643,020</u>
PTC Plan			
Stable Value Option Fund	4.60 years	Aa3	<u>\$ 13,298</u>

CITY OF SAN JOSE
DEFERRED COMPENSATION PLANS
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2012 and 2011

NOTE 3 – INVESTMENTS (Continued)

Concentration Risk

The following presents investments at June 30, 2012 that represents 5% or more of the 457 Plan's net assets (dollars in thousands):

Stable Value Option Fund	\$	209,782
Moderate Custom Lifestyle Port		74,081
American Funds Growth Funds R5		55,445
Aggressive Custom Lifestyle Port		41,698

The following presents investments at June 30, 2011, that represents 5% or more of the 457 Plan's net assets (dollars in thousands):

Stable Value Option Fund	\$	206,797
Moderate Custom Lifestyle Port		76,644
American Funds Growth Funds R4		61,907
Aggressive Custom Lifestyle Port		41,218

Contributions of PTC Plan participants are automatically invested in a diversified fund (Stable Value Option Fund) consisting of guaranteed investment contracts and fixed income securities. At June 30, 2012 and 2011, 100% of the PTC Plan's assets are invested in the Stable Value Option Fund.